

How Hospitals are Helping Physicians Deal with the Changes in the Market

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In previous articles we documented the changes that are occurring with access to medical care and how physicians are changing their practices to remain in practice. To view these articles see the link at the end of this paper.

This paper addresses what hospitals are doing to help physicians deal with these changes. Hospitals cannot sit by and watch their physicians retire into the sunset. Most new physicians want a job. Few new physicians are willing to put out a shingle and go at risk to start a new practice. Hospitals may be the only organization in the healthcare market that has a strong interest in making sure that there is an adequate long term supply of physicians.

To provide for a more stable supply of physicians, hospitals in Northern California are increasingly helping physicians to form new and stronger groups. Examples of this include;

- Some hospitals with existing medical groups are finding that not only are the groups that they helped to form now becoming profitable, but also the groups are helping the hospital to position them strategically. One health system CEO said, "I now understand why I suffered all of those years of losses. This group is no longer just a defensive move to stabilize my medical staff, but it is an offensive move that is helping me to move into new markets."
- Some hospitals that have had bad financial experiences with groups in the past are now out of necessity once again investing in Medical Groups. Some lost significant amounts of money as the groups were starting and struggled with physician incentives and productivity issues. But, what was once seen as a bad investment is now, with proper organization, management, and incentives, viewed as an important strategic advantage. Retaining qualified Medical Group Administrators and maintaining the trust of physicians in the hospital's ability to work with them as true horizontal partners have been key to the growth of successful groups.

Several hospitals are currently working with their physicians to form new medical foundations or groups that will be able to hire new physicians or acquire the practices of physicians leaving practice.

- Some hospitals that have de-emphasized their physician assistance plans in the past are now regretting this. These hospitals are struggling to hold onto their market share because they do not have a young and dynamic group of physicians allied with their hospital. Some hospitals believe that they are only in the hospital business and that they should not be in the physician management business. This conundrum is not easily solved, as referral sources are the life blood of a healthy hospital. Many successful hospitals understand that they must make these investments and retain qualified medical group administrators.
- Some hospitals are faced with significant downsizing because they failed to recognize these issues of physician access and no longer retain the patient census they once had. Due to legislative mandated seismic upgrades, hospitals need to recapitalize their hospitals. This requires a feasibility study that is based on the number of physicians in active practice and their relative ages. In some cases an aging medical staff does not justify replacement of the hospital at its current bed complement.

How Hospitals are Dealing with these Changes

Most Hospitals are actively helping physicians to stay in practice. Many are helping physicians to deal with these trends. Many are helping with practice management support and recruitment of new physicians. Some are building information systems with physicians so that clinical data can move more quickly between the hospitals and the physicians. Some are building and expanding their foundations to help hire new physicians and provide a stabilizing force for physicians and an option to competitors. Many Hospitals are concerned about the decline in Medical Staff participation with the advent of Hospitalists. Physicians are also less willing to volunteer for essential Medical Staff functions. Hospitals are struggling with how to keep the relationships and referral energy flowing around the hospital.

Hospitals have done a good job merging into more powerful groups to leverage their negotiating power. Some hospitals are now able to use this leverage to assist the physician groups that are closely associated with them.

Hospitals that have been successful with these investments have;

- Gained medical community acceptance for the need for the hospital to assist some physicians.

- Retained top Medical Group Management. They understand there are unique needs in medical groups and did not attempt to build their physician organizations out of hospital management staff.
- Identified and developed good physician leaders who understand their clinical role, have the respect of other physicians and can get them to follow their leadership.
- Built a medical management infrastructure that is based on the practice management needs of physicians.
- Built a group culture that understood the benefit for the entire community as well as the physicians.
- Provided assistance to physicians to help them deal with market trends.

Many hospitals have had a difficult time forming and supporting medical Foundations. They often do not have experience in managing these kinds of organizations. These efforts often result in resentment from physicians who are not in the group and a sense that the hospital is competing with the private physicians. Integrated groups do not need and cannot support as many specialists as a hospital needs for coverage and growth. Some hospitals have used a "Wrap-Around" IPA to form a group for the others not in the foundation as a way of addressing these concerns.

Some hospitals have provided forgivable loans for under served specialties. Hospitals have had mixed results with these loan agreements. Hospitals have been using a "host" physician to sponsor new physicians. Some of these agreements are coming under scrutiny and require expert legal advice to structure correctly.

Some hospitals also understand that their ability to deliver more efficient quality healthcare depends on their making investments in information systems infrastructure. These investments can be tricky and difficult, but some early adopters are beginning to see tangible benefits in delivering better and more efficient care with the help of Physician Order Entry Systems, Medical Decision Support Systems and Electronic Medical Records. These systems also help to attract the best and the brightest young healthcare professionals who want to work on the leading edge of Healthcare with the best technology.

In an effort to compete with Kaiser Permanente some of the hospital systems are developing or expanding their medical foundations. These groups will allow community hospitals to offer salaried positions to physicians who do not want to go into private practice and would otherwise go to work for Permanente.

Conclusion

Hospitals are reevaluating their investments in structures that help physicians to stay in practice. Many hospitals are realizing that they must expand their efforts in this area to help build a sustainable group associated with their hospital. As current physicians in practice retire few new physicians want to open a private practice and be at risk. These young physicians just want a job. Hospitals that are affiliated with groups that can offer them a job are in a much better position to survive the coming changes in healthcare.

Walter Kopp is the President of Medical Management Services a consulting firm that assists hospitals and physicians to deal with the rapid changes occurring in the market. MMS has worked with several hospital systems and medical groups to help them evaluate their opportunities and determine the best way to proceed given the characteristics of their practice and their market. To learn more about our work please check out our web site at www.walterkopp.com.